

## Message Text

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ORIGIN AF-10

INFO OCT-01 EUR-12 IO-13 ISO-00 AID-05 OPIC-03 AGRE-00

CIAE-00 COME-00 EB-08 FRB-03 INR-07 NSAE-00

USIA-06 TRSE-00 XMB-02 SP-02 LAB-04 SIL-01 OMB-01

IGA-02 L-03 H-01 NSC-05 SS-15 STR-05 CEA-01

PRS-01 PA-01 /112 R

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OPIC:RSMITH (INFO)

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FM SECSTATE WASHDC

TO AMEMBASSY MAPUTO

INFO AMEMBASSY PRETORIA

AMEMBASSY LAGOS

USMISSION USUN NEW YORK

AMEMBASSY LONDON

AMEMBASSY LUSAKA

AMEMBASSY GABORONE

AMEMBASSY DAR ES SALAAM

C O N F I D E N T I A L STATE 242704

E.O. 11652: GDS

TAGS: EINV, EAID, MZ, US

SUBJECT: MOZAMBICANS DISCUSS US INVESTMENT AND AID

1. SUMMARY: TAKING ADVANTAGE OF PRESIDENT MACHEL'S OCTOBER 2-5 UN VISIT, MEMBERS OF THE OFFICIAL MOZAMBICAN PARTY LED BY MINISTER OF INDUSTRY AND COMMERCE MACHUNGO HELD DISCUSSIONS WITH AMERICAN BUSINESSMEN ON INVESTMENT IN MOZMBIQUE AND WITH US OFFICIALS ON AID PROSPECTS. THE  
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DISCUSSIONS WENT WELL, AND WE NOW HAVE A CLEARER IDEA OF GPRM PRIORITIES. THE MOZAMBICANS, IN TURN, GAINED A BETTER UNDERSTANDING OF AID PROCEDURES, LEGISLATIVE RESTRICTIONS ON AID, AND INVESTMENT PROSPECTS. END SUMMARY.

2. MOZAMBIQUE'S MINISTER OF INDUSTRY AND COMMERCE MARIO MACHUNGO USED OPPORTUNITY OF PRESIDENT MACHEL'S OCTOBER

2-5 UN VISIT TO MEET WITH AMERICAN BUSINESSMEN AND TO DISCUSS AID PROSPECTS WITH US OFFICIALS.

3. INVESTMENT. ON OCTOBER 3 IN NEW YORK, MACHUNGO HELD SESSIONS, ARRANGED WITH HELP OF THE DEPARTMENT AND THE AFRICAN-AMERICAN CHAMBER OF COMMERCE, WITH REPRESENTATIVES OF FOUR AMERICAN FIRMS: UNION CARBIDE, CASTLE AND COOKE,

ARTHUR G. MCKEE, AND GENERAL TIRE. (ALTHOUGH SEVERAL OIL FIRMS WERE CONTACTED, NONE EXPRESSED INTEREST IN MOZAMBIQUE.) MACHUNGO MADE ABLE PRESENTATIONS, POINTING OUT FACETS OF THE NEW INVESTMENT LAW. CARBIDE AND MCKEE EXPRESSED INTEREST IN SENDING TEAMS TO MOZAMBIQUE TO LOOK INTO MINING POSSIBILITIES; CASTLE AND COOKE SAID IT WANTED TO EXPLORE PROSPECTS FOR A 2,800 HECTARE BANANA PLANTATION.

4. GENERAL TIRE REPRESENTATIVE (COPELAND) USED OPPORTUNITY TO GO OVER IN DETAIL WITH MACHUNGO PROBLEMS HIS FIRM WAS FACING AT THE MAPUTO TIRE PLANT. COPELAND WILL PROBABLY BE RETURNING SHORTLY TO MOZAMBIQUE FOR ANOTHER ROUND OF DISCUSSIONS WITH THE GPRM.

5. COMMENT: MACHUNGO HAS HELPED GET MOZAMBIQUE OFF TO A GOOD START IN INITIAL EFFORT TO WOO US INVESTORS. HOWEVER, GPRM WILL HAVE TO FOLLOW UP BY ATTENDING TO BASIC DETAILS  
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SUCH AS PROVIDING ENGLISH TRANSLATIONS OF THE INVESTMENT LAW AND BY FACILITATING ISSUANCE OF VISAS. MACHUNGO'S SUGGESTION TO BUSINESSMEN THAT THEY USE UN AMBASSADOR LOBO AS CONTACT POINT COULD BE PRESCRIPTION FOR TROUBLE UNLESS COORDINATION WITH MAPUTO IMPROVES.

6. AID: ON OCTOBER 4, MACHUNGO VISITED WASHINGTON FOR TALKS ON AID. HE WAS ACCOMPANIED BY EDUARDO MONDLANE UNIVERSITY CHANCELLOR FERNANDO GANHAO, WHO TOOK A PROMINENT PART IN DISCUSSIONS, AND BY FERNANDO BAPTISTA OF THE ARMY GENERAL STAFF AND MANUEL MBEVE OF MACHUNGO'S MINISTRY.

7. AID ASSISTANT ADMINISTRATOR FOR AFRICA GOLER BUTCHER HEADED US SIDE AND GAVE MOZAMBICANS A CANDID RUNDOWN ON LEGISLATIVE AND BUDGETARY IMPEDIMENTS TO AN AID PROGRAM FOR FY 78. MACHUNGO TOOK NEWS THAT FOOD AID WOULD MOST LIKELY BE ONLY FORM OF US AID DURING COMING FISCAL YEAR QUIETLY, ALTHOUGH HE LATER MADE A BARELY AUDIBLE PRO FORMA COMMENT ABOUT OUR "RESPONSIBILITY" TO PROVIDE ASSISTANCE.

8. DURING REMAINDER OF SESSION, WE EXPLAINED CONGRESSIONAL GUIDELINES ON AID AND DESCRIBED OUR INTEREST IN PROVIDING LASTING BENEFITS TO THOSE IN NEED. MACHUNGO AND GANHAO THEN GAVE MOVING DESCRIPTIONS OF THE GREAT CHALLENGES THEIR COUNTRY FACES IN AGRICULTURE, EDUCATION AND HEALTH. USAID EXPERTS PRESENT PROVIDED THE MOZAMBICANS DETAILED INFORMATION ON OUR PROGRAMS IN THESE FIELDS.

9. MOZAMBICANS MADE A BRIEF PITCH FOR AID FOR LARGE-SCALE FLOOD CONTROL PROJECTS, BUT WE ADVISED THEM THAT WE HAD MOVED AWAY FROM THE INFRASTRUCTURE FIELD AND THAT INTERNATIONAL LENDING INSTITUTIONS WOULD BE A MORE APPROPRIATE SOURCE OF FINANCING. (MACHUNGO LATER SAID THAT THE

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GPRM CABINET WAS "STUDYING" THE QUESTION OF IMF AND IBRD MEMBERSHIP.)

10. FOLLOWING LUNCH HOSTED BY ASSISTANT ADMINISTRATOR BUTCHER AND ATTENDED BY DEPUTY ASSISTANT SECRETARY EDMONDSON, MOZAMBICANS RECEIVED DETAILED BRIEFINGS ON OPIC, THE EXIM BANK, AND THE LANDSAT PROGRAM.

11. COMMENT: THE WASHINGTON PROGRAM WENT WELL AND THE OPPORTUNITY TO EXCHANGE VIEWS ON AID WAS VALUABLE TO BOTH SIDES. HOWEVER, DESPITE OUR CAVEATS ON FY 78 CONGRESSIONAL RESTRICTIONS, SUCCESS OF THE MEETING PROBABLY WHETTED MOZAMBICAN EXPECTATIONS OF BILATERAL AID IN THE NOT-TOO-DISTANT FUTURE. CHRISTOPHER

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